

Message Text

LIMITED OFFICIAL USE

PAGE 01 MONROV 03970 011114Z
ACTION PM-05

INFO OCT-01 AF-10 ISO-00 SS-15 OMB-01 TRSE-00 L-03
EB-08 AID-05 INR-10 CIAE-00 /058 W
-----035293 011321Z /46
R 010955Z JUN 78
FM AMEMBASSY MONROVIA
TO SECSTATE WASHDC 9537
INFO SECDEF WASHDC
USCINCEUR VAIHINGEN GERMANY/ECJ4/7

LIMITED OFFICIAL USE MONROVIA 3970

SECDEF PASS DC/DSAA (TC)

SECSTATE PASS UNDERSECRETARY BENSON

E.O. 11652 N/A
TAGS: MASS, XA, XB, XM, XF, XT
SUBJECT: DELINQUENT FMS LOAN PAYMENTS

REF: STATE 124355 DTG 162006Z MAY 78

1. YOUR CONCERN OVER THE EFFECT OF DELINQUENT PAYMENTS OF FOREIGN MILITARY SALES (FMS) LOAN AGREEMENTS IS SHARED BY ME. AS YOU ARE AWARE, THE GOL'S RECORD HAS GENERALLY BEEN A GOOD ONE ALTHOUGH SOME PROBLEMS WERE ENCOUNTERED IN MID 1976 - MID 1977. THOSE DIFFICULTIES HAVE NOW BEEN LARGELY OVERCOME. THE GOL WAS INFORMED ON THREE OCCASIONS OF THE POSSIBLE CONSEQUENCES OF LATE PAYMENTS AND HAS SUBSEQUENTLY MADE A CONCERTED EFFORT TO SATISFY ITS DEBTS PROMPTLY. ADDITIONALLY, CONTROL MEASURES INSTITUTED OVER THE LAST YEAR BY THE U.S. MILITARY MISSION HAVE IMPROVED OUR ABILITY TO MONITOR THE STATUS OF THE VARIOUS LOANS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MONROV 03970 011114Z

2. TO MONITOR FMS LOAN PAYMENT STATUS PROPERLY AND TO ASSIST THE GOL IN MEETING ITS FMS FINANCIAL OBLIGATIONS, THE FOLLOWING PROCEDURES CONCERNING FMS LOAN PAYMENT REQUIREMENTS HAVE BEEN INSTITUTED:

A. DSAA AND FFB HAVE BEEN REQUESTED TO FORWARD FMS CREDIT CORRESPONDENCE TO THE MINISTRY OF NATIONAL

DEFENSE THROUGH THE CHIEF OF THE U.S. MILITARY MISSION. THIS PROCEDURE SHORTCUTS THE VAGARIES OF INTERNATIONAL MAIL AND ENSURES THAT OUR SECURITY ASSISTANCE AGENT IS KEPT INFORMED CONCERNING THE STATUS OF THE VARIOUS LOAN AGREEMENTS.

B. IF BILLING STATEMENTS ARE NOT RECEIVED 30 DAYS PRIOR TO THE LOAN PAYMENT DATE, DSAA IS REQUESTED TO PROVIDE INFORMATION CONCERNING THE AMOUNT OF PRINCIPAL AND INTEREST DUE ON THE VARIOUS LOANS IN FORCE.

C. UPON RECEIPT OF THE BILLING STATEMENT OR THE REQUESTED INFORMATION FROM DSAA THE INFORMATION IS FORWARDED TO THE MINISTRY OF NATIONAL DEFENSE WHICH THEN FORWARDS THE INFORMATION TO THE MINISTRY OF FINANCE FOR ACTION.

D. APPROXIMATELY 10 DAYS PRIOR TO THE DUE DATE,

INQUIRIES ARE MADE CONCERNING THE PROGRESS OF THE PROCESSING OF THE PAYMENTS AND WHETHER THERE ARE ANY QUESTIONS OR PROBLEMS REGARDING WHICH THE GOL MIGHT REQUIRE ASSISTANCE.

3. THIS PROCEDURE HAS STREAMLINED THE PAYMENT PROCESS AND HAS ELIMINATED MANY OF THE PROBLEMS OF PROMPT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MONROV 03970 011114Z

AND ACCURATE PAYMENT OF FMS CREDIT BILLINGS.

4. REGARDING BILLING STATEMENTS, YOU POINT OUT IN PARA 3 THAT THE REPAYMENT OBLIGATION OF THE BORROWER IS NOT DEPENDENT UPON RECEIPT OF BILLING STATEMENTS FROM THE LENDER. NONETHELESS, I WOULD LIKE TO EMPHASIZE THE IMPORTANCE OF THESE STATEMENTS IN ASSISTING THE BORROWER TO MAKE LOAN PAYMENTS ON TIME AND FOR THE PROPER AMOUNT DUE. THE AMOUNT OF PRINCIPAL DUE IS LISTED IN THE REPAYMENT SCHEDULE OF THE LOAN AGREEMENT. THE INTEREST, HOWEVER, IS NOT LISTED AND ACCORDING TO THE PROCEDURES CURRENTLY BEING USED TO ASSESS INTEREST, CAN BE VERY DIFFICULT FOR THE HOST COUNTRY TO CALCULATE ACCURATELY. IN LIBERIA, FOR INSTANCE, FOUR FMS LOANS ARE CURRENTLY IN FORCE. TWO OF THE LOANS ARE OF THE TYPE EXTENDED DIRECTLY BY DOD. THE INTEREST RATE ON THESE LOANS IS STATED IN THE CREDIT AGREEMENT. WHILE THEORETICALLY IT IS POSSIBLE FOR A BORROWER TO CALCULATE THE PRINCIPAL AND INTEREST DUE, PROBLEMS IN DETERMINING THE EFFECTIVE TRANSACTION DATES (SUBJECT TO DETERMINATION BY DSAA) MAKES GOL CALCULATION OF PAYMENTS SUSCEPTIBLE TO ERROR.

INCORRECT PAYMENTS COMPOUND THE DIFFICULTY IN RECONCILING
LOAN BALANCES BETWEEN THE GOL AND DSAA. THIS IN
TURN CREATES A PROBLEM IN MEETING FUTURE PAYMENTS IN AN
TIMELY MANNER. THE OTHER TWO LOANS ARE FFB LOANS
GUARANTEED BY DOD. A SEPARATE INTEREST RATE IS COMPUTED
FOR EACH TRANSACTION AND THE VARIOUS INTEREST RATE ARE
CONVERTED TO A SINGLE EQUIVALENT INTEREST RATE AFTER
ALL ADVANCES AGAINST THE AGREEMENT HAVE BEEN MADE. THIS
PROCEDURE MAKES IT VERY DIFFICULT FOR THE GOL TO KNOW
PRECISELY WHAT INTEREST PAYMENT IS DUE. IF THE GOL
MAKES ONLY THE PRINCIPAL PAYMENT, THE FFB SATISFIES THE
INTEREST CHARGES FIRST AND THEN ALLOCATES THE REMAINDER
OF THE PAYMENT TO PRINCIPAL, CAUSING CONFUSION IN THE
MINDS OF THE GOL AS TO HOW MUCH PRINCIPAL HAS BEEN PAID.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MONROV 03970 011114Z

TIMELY RECEIPT OF BILLING STATEMENTS DETAILING THE
AMOUNTS OF PRINCIPAL AND INTEREST DUE ALLEVIATES THE
PROBLEM OF THE HOST COUNTRY NOT KNOWING HOW MUCH PAYMENT
IS DUE. I BELIEVE THAT BILLING STATEMENTS ARE REQUIRED
IF WE ARE TO EXPECT ACCURATE AND PROMPT PAYMENTS TO BE
MADE. THEY SHOULD NOT BE CONSIDERED ONLY A CTURTESY.

5. AS YOU MAY KNOW, WHN A DELINQUENCY HAS OCCURRED
IN THE PAST, WE HAVE BEEN PROMPTLY NOTIFIED BY DSAA
THROUGH THE U.S. MILITARY MISSION. IS THE NOTIFICATION
THROUGH THE DEPARTMENT (PARA 4 OF REFTTEL) MEANT TO
DUPLICATE OR REPLACE DSAA'S NOTIFICATION
OF THE U.S. MILITARY MISSION?
CARTER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY SALES, LOANS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MONROV03970
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780229-0457
Format: TEL
From: MONROVIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806107/aaaadoit.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ead5417d-c288-dd11-92da-001cc4696bcc
Office: ACTION PM
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 124355
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2161999
Secure: OPEN
Status: NATIVE
Subject: DELINQUENT FMS LOAN PAYMENTS
TAGS: MASS, XA, XB, XM, XF, XT
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ead5417d-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014